

STATE OF COLORADO
Deferred Compensation Committee
Governance Manual
FOR
457 Deferred Compensation Plan
State Defined Contribution Match Plan
Public Officials' & Employees' Defined
Contribution Retirement Plan

Amended and Restated March 8, 2007

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ARTICLE I
MISSION, PRIMARY GOALS

Section 1. Mission

The Committee shall maintain a federal IRC Section 457 (b) eligible deferred compensation plan (457 Plan), a federal IRC Section 401(a) defined contribution match plan (401(a) Match Plan) for the purpose of providing tax deferred investment opportunities for eligible employees and to receive tax deferred employer matching contribution as required under C.R.S. 1973, 24-52-104 et. Seq.

The Committee shall also maintain a federal IRC Section 401(a) defined contribution retirement plan (State DC Plan) under Section 24-52-203, C.R.S. (2003), and as a qualified retirement plan under Section 401(a) of the Internal Revenue Code.

Section 2. Primary Goals

- (a) Provide tax-deferred savings (457 Plan), matching employer contribution benefits (401(a) Match Plan) and an optional retirement plan (State DC Plan), hereinafter referred to as the Plans.
- (b) Exercise functions solely in the interest of the Participants and the beneficiaries and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in administering the Plans.
- (c) Be responsive and flexible to meet Participants' needs, balancing costs of services with uses of services.
- (d) Provide a selection of investment options that meet each Plan's investment objectives as outlined in each Plan's Investment Policy. Investments are selected on a competitive basis, and represent a reasonable choice as to investment risk, return, style and asset class.
- (e) Provide quality service to the all Plans' Participants.
- (f) Seek the input and feedback of all Plans' Participants through various means such as surveys to ensure that the program continues to meet the needs of its Participants.
- (g) The 457 Plan is a supplemental tax deferred savings vehicle. The Committee will adopt plan designs and features to provide 457 Plan Participants with maximum flexibility and opportunities consistent with applicable IRC and legal requirements. The State DC Plan is one of the primary retirement plans for Participants. The Committee will adopt plan designs and features to provide State DC Participants with a mix of asset classes consistent with preservation of capital or long-term capital appreciation.

ARTICLE II

DEFINITIONS

Section 1. Definitions

(a) 457 Plan

The term "457 Plan" means the State of Colorado Deferred Compensation Plan and the 401(a) Defined Contribution Match Plan under the federal Internal Revenue Code (IRC) Section 457(b) eligible Deferred Compensation Plan and the Section 401(a) Defined Contribution Match Plan, respectively, as established by Colorado statutes in C.R.S. 24-52-101 et. Seq., which provide eligible employees with the opportunity to tax defer contributions for supplemental savings and to receive tax deferred employer matching contribution retirement benefits.

(b) State DC Plan

The term "State DC Plan" means the Public Officials' and Employees' Defined Contribution Retirement Plan regulated under the federal Internal Revenue Code (IRC) Section 401(a) Defined Contribution Plan as established by Colorado statutes in C.R.S. 24-52-201 et. Seq., which provides an alternative to participation in the Colorado Public Employee's Retirement Association (PERA) for term limited public officials and other employees expressly permitted to opt out of the association's defined benefit (DB) plan. All new employees hired on and after January 1, 2006 (with certain statutory exceptions) are eligible to make a one-time irrevocable election to participate in the State DC Plan or to participate in PERA. New employees of Higher Education Institutions who are hired on or after January 1, 2008 are also eligible to make this one-time irrevocable election (SB06-235).

(c) Committee

The term "Committee" refers to the nine members as designated by state statute in C.R.S. 24-52-102 and in Article IV, Section 1 of this Governance Manual.

(d) Plan Manager

The term "Plan Manager" refers to the Department of Personnel and Administration Executive Director or delegate as defined in statute.

(e) Participant

The term "Participant" refers to an employee or beneficiary who has an account balance in any of the Plans. Participants include those who are actively participating in one or more of the Plans, those who have suspended active participation, and those who are retired or terminated from state employment and have account balances. Any Participant in the 457 Plan is eligible to vote in the election of non-statutory committee members. Pursuant to the statute, Participants in the State DC Plan have a Governor-appointed member on the Committee.

(f) Investment Fund Provider

The term “Investment Fund Provider” refers to any insurance, variable annuity, bank, mutual fund company, or investment company that provides investment funds in the Plan and which has agreed to certain duties, responsibilities and liabilities under the Plans.

(g) Bundled Provider

The term “Bundled Provider” means a private sector company that offers Participants a full range of individually allocated investment products within a contract or account meeting the requirements of section 401(a) of the Internal Revenue Code, including products or arrangements described in sections 401(f) and 403(a) of the Internal Revenue Code combined with a full range of administrative and customer services, including but not limited to, accounting and administration of individual Participant benefits and contributions, individual Participant record keeping, asset purchase, control, and safekeeping; direct execution of the Participant’s instructions as to asset and contributions allocation, calculation of daily net asset values, direct access to Participant account information, periodic reporting to Participants, at least quarterly, on account balances and transactions, broad distribution options, and direct asset allocation and retirement counseling and education. C.R.S. 24-52-202(1.5).

(h) Third Party Administrator

The term “Third Party Administrator” means a private sector company that provides record keeping and administrative services or marketing and communication services, or both. A “Third Party Administrator” does not bundle or provide investment fund products options as in a “Bundled Provider” per Article II, section 1 (g).

(i) Eligible Employee

1. Within the 457 Plan and 401(a) Match Plan: The term “Employee” means any person, including elected officials, employed by and receiving compensation from the State of Colorado or any city and county, county, city, town, or other political subdivision. Ref. C.R.S. 24-52-101(4).
2. Within State DC Plan. The term “Eligible Employee” is defined in the Public Officials’ and Employees’ Defined Contribution Plan statutes, C.R.S. 24-52-202(3).

ARTICLE III

LEGAL AND PROCEDURAL

Section 1. Federal Law

- (a) The Deferred Compensation Plan is established under and intended to operate as a Section 457 of the Internal Revenue Code and related regulations, and any amendments.
- (b) The Defined Contribution Match Plan is established under and intended to operate as a Section 401(a) of the Internal Revenue Code and related regulations, and any amendments.
- (c) The Public Officials' and Employee's Defined Contribution Retirement Plan is established under and intended to operate as a qualified retirement plan under Section 401(a) of the Internal Revenue Code and related regulations, and any amendments.

Section 2. Plan Documents

- (a) Section 457 Plan. The Committee has developed a plan document in accordance with Section 457 of the Internal Revenue Code to establish and operate the Section 457 Deferred Compensation Plan. The plan document was adopted on May 1, 1981, and subsequently amended. The plan document was also submitted to the Internal Revenue Service for review and received written notice from the IRS on July 23, 1987, that it is an eligible deferred compensation plan as defined in Section 457(b) of the Code and applicable regulations. On July 1, 1998, the plan document was revised to comply with the requirements of Section 457(g) to place the assets of the Plan into a trust for the exclusive benefit of Participants and their beneficiaries. In December 2001, the plan document was amended to comply with the applicable provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA of 2001). The 457 Plan received a private letter ruling from the Internal Revenue Service (IRS) in September 2005 reaffirming the status of the 457 Plan as an eligible deferred compensation plan as defined in section 457(b) of the code.
- (b) Section 401(a) Match Plan. The Committee has developed a plan document in accordance with Section 401(a) of the Internal Revenue Code to establish and operate the Defined Contribution Match Plan. The plan document was adopted effective January 1, 2001, and amended effective January 1, 2002, to comply with applicable provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA of 2001). The 401(a) Match Plan received a favorable letter of determination under Section 401(a) of the Internal Revenue Code from the IRS on December 31, 2003.
- (c) Section 401(a) Retirement Plan (State DC Plan). The Committee has developed a plan document in accordance with Section 401(a) of the Internal Revenue Code to establish and operate the Defined Contribution Retirement Plan. The State DC plan document was adopted effective January 1, 1999, and has been subsequently amended. The State DC

Plan received a favorable letter of determination under Section 401(a) of the Internal Revenue Code from the IRS on January 19, 2000.

Section 3. State Law

- (a) Colorado Revised Statutes, 24-52-101 et Seq. as amended, provides the statutes governing the 457 Plan.
- (b) Colorado Revised Statutes, 14-10-113(6), provides for special rules regarding payment of Plan benefits to alternate payees under certain domestic relations orders.
- (c) Colorado Revised Statutes, 24-54.7-101 (2001) provided the enabling statute legislation for the State DC Plan. Pursuant to the provisions of SB02-231 administration of the Plan became the responsibility of the Deferred Compensation Committee effective July 1, 2002, and the statutes governing the State DC Plan were moved to Colorado Revised Statutes 24-52-201 et seq. In accordance with SB04-257, effective July 1, 2005, the State DC Plan must have at least three separate and distinct bundled providers.

Section 4. Committee Election Procedures

In accordance with State statutes, the Committee has promulgated procedures for conducting the annual elections to the Committee. These procedures were adopted on November 24, 1987, and subsequently amended on October 13, 2005. They are included in this Governance Manual in Article VIII.

Section 5. NAGDCA

The Committee shall maintain membership in the National Association of Governmental Defined Contribution Administrators (NAGDCA) or similar organization for the purpose of information exchange, continuing education opportunities and as the major resource for defined contribution plan administration.

ARTICLE IV

ORGANIZATIONAL STRUCTURE

Section 1. Deferred Compensation Committee

- (a) The Committee shall be responsible for establishing, maintaining and administering the Plans.
- (b) The Committee recognizes that it is a fiduciary with regard to its duties and responsibilities under all of the Plans and shall carry out such duties and responsibilities solely in the interest of the Participants and beneficiaries and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties as required by law. The Committee shall act in accordance with provisions of the Plans' documents and in accordance with applicable provisions of Colorado Revised Statute 24-52-102 & 103, 457 Plan and 24-52-203, State DC Plan.

Section 2. Committee Membership

In compliance with C.R.S. 24-52-102, as amended, the Committee is composed of nine members. In July 2002 the Governor's Appointee was changed to a Participant of the Public Officials Plan and allowed for one of the elected members to be a retiree (SB01-231). Refer to Committee Election Guidelines Article VIII.

Section 3. Committee Officers

At the July meeting of each plan year, the Committee will conduct elections for the positions of Chair and Vice-Chair. In the event that the Chair can no longer serve the remainder of the term during the year, the Vice-Chair shall assume all authority and responsibilities of the chair. In such an event, a new election for Vice-Chair would be conducted.

Section 4. Executive Committee

The Executive Committee may exercise normal Committee functions between regular meetings but shall have no policy-making functions. The elected Chair will also appoint a third Committee member and an alternate to serve with the Vice-Chair as part of the Executive Committee.

Section 5. 457 and 401a Match Plan Hardship Review Committee

At the July meeting of each plan year the Chair will appoint the Hardship Review Committee composed of three members and one alternate. At least one of the three members on the Hardship Committee will be an employee elected representative.

Section 6. Staff

Under C.R.S. 24-52-102 (2)(c), as amended, the Plans shall be managed by the State of Colorado, Department of Personnel and Administration Executive Director, who shall be the Executive Officer of the Plan. The Executive Director shall provide sufficient resources necessary to manage the Plans for the

Committee. The Committee will have the opportunity to provide input to the Executive Director into the annual performance appraisal of the staff, as well as input into the annual budget request, including budget change requests as necessary, and allocated FTE for plan administration, in executive session, to the extent permitted by law.

Section 7. Professional and Consultant Services

The Committee may contract with appropriate professional and consulting firm experts and/or Bundled Providers to provide analysis, advice and other services relating to the design, administration, legal, investment, communication and marketing of the Plans and any other matters requiring expert opinions, including tax consultants outside of those provided by the Colorado Department of Law, Attorney General's Office.

Section 8. Record keeping and Administrative Services

For the 457 and 401(a) Match Plans, the Committee may contract with an organization for record keeping services (e.g., maintaining account balances, processing transfers and distributions, preparing and mailing consolidated quarterly statements, 24 hour access to information, customer service, and other services as determined by the Committee).

For the State DC Plan the Committee shall contract with at least three Bundled Providers for record keeping services (e.g., maintaining account balances, processing transfers and distributions, preparing and mailing consolidated quarterly statements, 24 hour access to information, customer service, and other services as determined by the Committee). Other than professional advisors and independent consultants or experts necessary for the proper discharge of the Committee's fiduciary duty, no investment products, educational or administrative services shall be offered under the State DC Plan except for three Bundled Providers.

Section 9. Marketing and Communication Services

In order to make the Plans known and available to all eligible employees and to provide assistance to Participants, the Committee will contract with an organization for marketing and communication services, which may be the same organization as in Section 8 above. The Committee shall prepare a summary for each Plan that describes the material features and terms of the Plans to Participants written in a matter that can be understood by the average eligible Participant.

ARTICLE V

COMMITTEE OPERATION

Section 1. Meeting schedule

The Committee will have regularly scheduled meetings. Special meetings may be called based upon a request by any Committee member with approval of a majority of the Committee.

Section 2. Meeting Agenda

The staff with the Executive Committee's approval will prepare the meeting agenda. At least one week prior to the meeting, agendas will be posted on the Plans' websites for all interested parties.

Although agenda items will vary from month to month, the Committee may conduct the following activities at least annually:

- Investment Performance Review
- Budget Input
- Staff Performance Appraisal Input
- Elect Committee Officers
- Elect 457 Hardship Review Committee
- Strategic Planning Retreat
- Financial Statements Review
- Participant Fee Review
- Investment Company Reports/Reviews
- Marketing Report

Section 3. Quorum

A minimum of five Committee members must be present at a meeting to take any formal action, except for closed meetings per C.R.S. 24-6-402(3).

Section 4. Meeting Procedures

Committee meetings will be conducted in accordance with Roberts Rules of Order that may be adopted from time to time.

Section 5. Committee Action

If a quorum is present at meetings, actions can be taken by the Committee. Motions will be passed or voted down by a simple majority vote. The Chair is eligible to vote on all motions. Committee members may participate at meetings through telephone or other appropriate electronic media approved by the Committee and shall be treated as present for purposes of determination of a quorum, voting on motions and other lawful actions of the Committee.

Section 6. Public Record and Participation

- (a) Formal minutes of each meeting, excluding Executive Committee Meetings, will be maintained by the staff in accordance with Colorado Open Meeting Laws, C.R.S. 24-6-402. A draft of the minutes will be provided to the Committee for review and formal adoption at a subsequent meeting. Upon formal adoption minutes will be posted to the

Plans' websites and will be available for public distribution upon request. A tape recording of the meeting will also be made available for public review for 90 days. Executive sessions must be electronically recorded except if the attorney indicates the matters to be discussed are privileged attorney-client communication, then no record is kept of the executive session. There must be a written statement signed by the attorney that the portion of the executive session not recorded constituted a privileged attorney-client communication and a signed statement from the chair of the executive session attesting that the portion of the executive session that was not recorded was confined to the topic authorized for discussion in executive session.

- (b) Members of the public may request that staff place their names on the e-mail list for reminders to meetings. The agenda shall be attached to the e-mail reminder. If a company wishes to be placed on the distribution list, a primary contact should be identified. Agendas will be available one week prior to the meeting and minutes will be available one month after the meeting on the 457 Deferred Compensation website and the State DC websites.
- (c) Non-confidential documents that have been provided to the Committee during meetings will, upon request, be provided to members of the public. Interested persons should contact staff following the meetings. Copying of documents may be subject to a service charge of \$1.00 per page.
- (d) A public record of all meeting attendees will be maintained by the staff. If an attendee specifically objects to disclosing their name for the public record, they shall still be allowed to attend the public meeting.
- (e) The Committee welcomes the participation of Plan Participants and the public. Interested parties should contact the staff at least two weeks prior to the scheduled Committee meeting to request agenda time. The Committee Chair will determine the appropriateness and, if time permits, inclusion in the agenda.
- (f) All contracts between the Committee, the Plan, Bundled Providers bundled providers and professional and investment providers, consultants, and marketing companies are available for public inspection in the Division of Human Resources, Employee Benefits Unit of the Department of Personnel and Administration. Copying of documents may be subject to a \$1.00 per page service charge.

Section 7. Meetings

- (a) Open Meetings
Meetings will be open to the public at all times under Colorado Open Meetings Law C.R.S. 24-6-401 & 402, as amended except when an executive session is required.
- (b) Closed Meetings
Executive sessions will be convened for consideration of matters that are required to be kept confidential by state statute or rule, matters subject to attorney-client privilege, or other matters of exception from the Colorado Open Meetings Law pursuant to C.R.S. 24-6-402(3)(a). An executive session requires an affirmative vote of two-thirds of the Committee members (6 members) and a citation to the specific

authorizing provision C.R.S. 24-6-402(3). An example of the latter would be the development of a Request for Proposal or the evaluation of bid responses.

Section 8. Committee Expense Reimbursement

There is no direct compensation for Committee members. Travel and parking expenses for meeting attendance will be reimbursed by the Plan in accordance with State fiscal rules. All expenses for the current fiscal year must be reimbursed within that fiscal year. The Committee will not be reimbursed for expenses incurred by spouses, family members, or companions, alcohol, or personal entertainment.

Section 9. Investment Proxies

Any proxy ballots received by the Plan Manager, staff or Committee in connection with assets or investments held by the Plans shall be presented to the Committee for review and decision. The Committee Chair shall sign the proxy and the Plan Manager shall cast the proxy vote on behalf of the Committee.

ARTICLE VI
ROLES, RESPONSIBILITIES, AND DUTIES

Section 1. Committee

The Committee is responsible for the establishment, maintenance and administration of the Plans, including the following duties.

- (a) Establish policy for the Plans.
- (b) Establish rules, regulations and procedures for the administration of the Plans'.
- (c) Select all providers of investments, marketing, record keeping and consulting services, or select all bundled providers who will provide or cause to provide investments, marketing, record keeping and consulting services.
- (d) Determine any fees associated with the Plans.
- (e) Conduct periodic review of plan operations, investment performance, and budget.
- (f) Exercise fiduciary responsibility for the Plans solely in the interest of the Participants and their beneficiaries.
- (g) Provide input into the annual performance appraisal of staff.

Section 2. Committee Chair

The Committee Chair, or Vice Chair in absence of Chair, is responsible for the following duties.

- (a) Conduct meetings.
- (b) Sign contracts.
- (c) Review and approve agendas.

Section 3. Plan Manager

The Plan Manager shall provide administrative and technical support to the Committee, which includes:

- (a) Work as liaison with Third Party Administrator to manage the contract, including developing communications materials.
- (b) Develop various committee reports.
- (c) Attend all Committee meetings.
- (d) Prepare and route contract amendments per procurement process.
- (e) Manage reconciliation, prepare annual budget and financial statements, and accounting responsibilities for the Plan.
- (f) Provide customer service to Participants.
- (g) Review and make recommendations on hardship requests and maintain hardship log.
- (h) Review paperwork for qualified domestic relations orders (QDROs) and maintain QDRO log.
- (i) Research issues for Participants and the Committee.
- (j) Advise the Committee of any legislative or Internal Revenue Service changes.

- (k) Develop and assist in the evaluation of request for proposals that may be required for investment services, marketing/recordkeeping services and any other services that may be required.
- (l) Prepare and monitor contracts with vendors and consultants
- (m) Develop procedures manual, including internal controls.

Section 4. Attorney General and Legal Counsel

The Attorney General and any other outside Legal Counsel as approved by the Attorney General shall provide legal advice to the Plans upon the request of the Committee.

Section 5. Professional Advisors / Consultants

As directed by the Committee, other general, investment and tax professional advisors and consultants may provide the following services

- (a) Respond to Committee/staff questions on technical aspects of plan administration.
- (b) Develop Semi-Annual Investment Performance Report.
- (c) Review plan document for compliance with the requirements of law.
- (d) Provide strategic consulting services related to the Plan's investment structure, investment policy, communication plan, and overall management.
- (e) Make recommendations to Committee on renewal of investment and marketing contracts.
- (f) Other services and duties as established by the Committee.
- (g) Review proxy information on investment funds and provide recommendation to Committee for vote.

Section 6. Third Party Administrator

As directed by the Committee, the Third Party Administrator and/or Bundled Provider shall provide services as directed in the contracts such as, but not limited to;

- (a) Enroll new Participants in the Plan.
- (b) Provide ongoing assistance and services to current Plan Participants.
- (c) Attend monthly Committee meetings.
- (d) Provide an ongoing reporting of results and a semi-annual review of performance.
- (e) Develop, produce and distribute with professional communication materials, administrative forms and systems.
- (f) Focus efforts on marketing, communications and enrollment of the Plans.
- (g) Provide unbiased information, education and services about the Plan's investment options and managers.
- (h) Provide suggestions for resolving Participant complaints.
- (i) Make recommendations for improving communications effectiveness.
- (j) Provide consolidated account record keeping.
- (k) Provide daily valuation of Participants' accounts.
- (l) Provide a voice response system (VRS) and website with 24/7 access.
- (m) Provide a customer service center, including a toll-free number for Participant inquiries.
- (n) Process Participant transfer requests.

- (o) Process distributions, including hardship withdrawal requests and qualified domestic relation orders (QDROs), as applicable and approved by the Committee.
- (p) Prepare and distribute consolidated quarterly statements.
- (q) Record Participants' changes (increases, decreases, change of funds, etc.) and report to State on a monthly basis.
- (r) Record payroll deductions to individual Participant accounts.
- (s) Provide appropriate system edits based on IRC Sections 457 and 401(a) plan rules, including those controls necessary to monitor over contribution limits.

Section 7. Participant Investment Advice Provider

Subject to approval by the Committee, any Investment Fund Providers, Third-Party Administrators or Bundled Providers may choose to become a Participant Investment Advice Provider. The Committee assumes no liability for the offerings of Participant investment advice and is not responsible for its content. However, the Participant Investment Advice Provider for the Plan shall provide services as designated in the contract such as, but not limited to:

- (a) Provide specific advice to Participants on asset allocation and fund selection with respect to the Plan's investment options;
- (b) Provide general investment and retirement planning advice for Participants and their families;
- (c) Deliver individual investment advice;
- (d) Ensure the credibility and objectivity of investment advice by, for example, appropriately managing any conflicts of interest;
- (e) Cooperate with the Plan's Third Party Administrator to facilitate timely and efficient administration of the Plan and consistent communications with Plan Participants;
- (f) Work effectively with the Committee and program staff to develop and implement an individual investment advice program that is responsive to the needs of Plan Participants.
- (g) Other services and duties as established by the Committee.

ARTICLE VII
CODE OF ETHICS AND STANDARDS OF CONDUCT
FOR COMMITTEE AND PLAN MANAGER

Section 1. Code of Ethics and Standards of Conduct

Committee members and Plan Manager shall be subject to the following code of ethics and standards.

- (a) Shall recognize and be accountable for their responsibilities as fiduciaries.
- (b) Shall exercise prudence and integrity in the selection and monitoring of investment providers and the management of funds.
- (c) Shall avoid engagement in any activity or business that creates a conflict interest.
- (d) Shall accept no fee, compensation, gift, payment of expense, or any other item of monetary value, under circumstances in which the acceptance may result in an undertaking to give preferential treatment to any person or company or would result in any loss of complete, independence, or impartiality.
- (e) Shall not disclose, use or allow others to disclose or use for private gain confidential information acquired by virtue of employment.
- (f) Shall not engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.

ARTICLE VIII
COMMITTEE ELECTION GUIDELINES

Section 1. Definitions

- (a) Nominee means an active or retired Eligible Employee who is a Participant in the 457 Plan consistent with C.R.S. 24-52-102.
- (b) Eligible Employee means any active or retired 457 Participant who may nominate other Participants for election to the Committee, may seek election and may vote.

Section 2. Committee Members

- (a) C.R.S. 24-52-102 (B) states, “There is hereby created the state deferred compensation committee consisting of the following nine members: The state treasurer, the state controller, or their designees; four employees who are participants in the deferred compensation plan, one of whom may be a retiree who is a participant in the plan, and who are elected by participants in the plan; a participant in the defined contribution plan who shall be appointed by the governor; and two members of the general assembly, one a senator, or former senator who is no longer serving in the general assembly at the time of appointment and who is a participant in the deferred compensation plan, to be appointed by the president of the senate and one a representative, or former representative who is no longer serving in the general assembly and who is a participant in the deferred compensation plan, to be appointed by the speaker of the house of representatives. Each member who is a state official or the member’s designee shall serve on the committee for the duration of the member’s elected or appointed term of office. Members who are members of the general assembly shall serve on the committee for the duration of their elected terms of office as members of the general assembly; except that a former senator or representative who was not serving in the general assembly at the time of appointment shall serve at the pleasure of the official who appointed such individual to the committee and the participant in the plan appointed by the governor shall serve at the pleasure of the governor.”
- (b) C.R.S 24-52-102(1)(a)(II) further states, “The committee members representing the plan participants shall be elected for terms of four years. The committee shall establish the procedure for the election of the committee members elected by Participants in the deferred compensation plan. Vacancies of elected committee members elected by Participants in the deferred compensation plan shall be filled by election for the unexpired term.”
- (c) Filling a vacancy for an unexpired term will be accomplished during the next regularly scheduled election unless the Committee directs staff otherwise.

Section 3. Election Schedule

Each year, in June, the Plan Manager will conduct an election to fill the expiring term of office. Terms will run for four years on a staggered basis and commence on July 1.

Section 4. Notice of Election

Each year, the Plan Manager will include a Notice of Election with the 1st quarter bulletin, providing election nomination requirements to Participants listed with the Third-Party Administrator. This notice will also be placed on the website, www.colorado457.com.

Section 5. Requirement for Nomination

Nominees seeking election must complete the nominating petition form requiring at least five signatures from other Participants. It is not prohibited to have more than one candidate from the same Department or Agency. The Department of Personnel and Administration, Division of Human Resources, Employee Benefits Unit must receive nominating petition forms within 30 days from the date of mailing of the notice of election.

In addition, the nominee seeking election must submit the following information in electronic format and provide a printed copy, including full name, work and home address and telephone number, and a statement of not more than 150 words describing their background, including education, work and relevant experience, qualifications and reasons for seeking election. The nominee seeking election is solely responsible for the content of the information and its accuracy. Nominees shall review and approve the ballot prior to printing.

Section 6. Validation of Petition

The Plan Manager shall validate active or retired employment of nominees seeking election and Participants signing the nominating petition forms. If there are less than five validated Participant signatures on the nominating petition form, the potential candidate will be notified. Additional petition signatures may be submitted for validation within the 30-day period from the date the Notice of Election was mailed.

Section 7. Write In Nominees

The Committee has established that there are no provisions for write-in nominees.

Section 8. Number of Nominees

In the event there is only one vacancy and one candidate, the Committee may make a motion, at the next regularly scheduled meeting, to accept that candidate for the vacancy.

In the event there are two vacancies and two nominees, the Committee may determine, after discussion with the nominees, which nominee will fill the vacant terms.

If the number of nominees exceeds the number of vacancies then an election will be held. The nominee with the highest number of votes will take the longest term available and so on.

Section 9. Election Process

The Committee and the Plan Manager shall discuss and choose the most cost effective and efficient method for processing the election ballots.

Ballots will require Participants to provide either social security numbers or other appropriate identification that complies with applicable privacy laws. Ballots will be deemed invalid if the Participant does not provide his/her appropriate identification. Ballots will be deemed invalid if they are not filled in correctly. Ballots with more than one vote are invalid unless more than one vacancy is to be filled.

The Plan Manager will prepare a Ballot for Election based on validated nominees. A biographical sketch and a statement of the reason for seeking election will be supplied for each nominee. The Committee chair shall be removed from any election process review and transmittal when the Chair is a candidate for election.

Ballots will be distributed to Participants by the Plan Manager to Participants' home addresses based on the Third Party Administrator's mailing lists, posted on the website, or both. The Department of Personnel and Administration, Division of Human Resources, Employee Benefit Unit must receive completed ballots postmarked or submitted electronically no later than 20 calendar days from the date of distribution.

Validation and tabulation of ballots may be completed by the Plan Manager or designated Third Party Administrator. The nominee with the highest number of votes will win the term of office.

If more than one vacancy is to be filled, ballots will be designed to allow Participants to vote for the number of nominees that corresponds to the number of vacancies that exist. The nominee with the highest number of votes wins the position with the longest term. The nominee with the next highest votes wins the next longest term.

There will be no list of Nominees maintained after an election. Nominees must re-apply for each election

Section 10. Election Results

The Plan Manager shall notify all the nominees via written letter of the election results prior to the July Deferred Compensation meeting and shall notify Plan Participants in the third quarterly bulletin.

ARTICLE IX

EDUCATION/TRAVEL POLICY

Section 1. Committee and Staff Education

The Committee as trustees, in their administration of the 457 Plan, 401(a) Match Plan, State DC Plan, is charged with the responsibility to exercise fiduciary responsibility for the Plans solely in the interest of the Participants and their beneficiaries. As fiduciaries of the Plan, Committee members are expected to be capable of discharging their duties and responsibilities. To the extent practicable and subject to Committee approval, in accordance with established criteria, Committee members are expected to avail themselves of educational opportunities in order to secure adequate training to fulfill those responsibilities.

At a minimum, each Committee member shall be provided with the opportunity to attend the National Association of Government Defined Contribution Administrators (NAGDCA) annual conference and have all expenses paid for by the Plan. Eligible expenses include conference fees, travel and allowable miscellaneous expenses in conjunction with attending the conference and are subject to the approval of the Plan Manager. In addition, the Plan may pay expenses not to exceed \$1,500 per Committee member for other training opportunities per fiscal year consistent with the retirement subject areas outlined below. Training that exceeds \$1,500 shall be addressed and approved by the Committee on an individual basis.

In order for the Committee to receive the proper level of staff support, and in order for staff to perform their duties to provide administrative and technical support, develop various Committee reports, research issues for Participants and Committee members and fulfill all responsibilities detailed in the Governance Manual, dedicated staff, as recommended by the Committee or engaged by the Committee, will also be provided with the opportunity to attend the NAGDCA annual conference and have expenses paid for by the Plan, subject to the approval of the Plan Manager.

In evaluating proposed attendance at any educational opportunities, the Committee shall determine whether the proposed expenditure is a prudent use of the Plans' resources by considering relevant factors, including but not limited to the following:

- New member
- Continuing professional education credits
- Networking opportunities
- Past attendance
- Availability of funds
- Level of investment expertise

Training opportunities in the retirement areas may include but are not limited to IRC Regulations, Investments, Legislative Process, Financial Reporting, Auditing, Budgeting, Fiduciary Law, Effective Communication and Taxation.

Payment for Committee members and dedicated staff, as recommended by the Committee or engaged by the Committee, and approved by the Plan Manager, to become professionally certified in the retirement area such as Certified Retirement Counselor and Certified Retirement Administrator will also be made

as deemed appropriate by the Committee, but is counted as part of the training budget.

Section 2. Education/Travel Budget

Consistent with Section 1, the education/travel, i.e., training, budget shall be authorized annually by the Committee and paid for by the Plan.

ARTICLE X

PLAN REPORTS

In order for the Committee to properly exercise its fiduciary responsibilities, the following reports may be requested, as directed by the Committee, from the Fund Sponsor, Third Party Administrator, Bundled Provider, Plan Manager, or other plan professional advisors or consultants on the Plan's activities. Plan reports include but are not limited to the following items.

Section 1. Monthly Marketing Reports.

This report will provide marketing data on the enrollment activity including the number of new Plan Participants by eligible population for each Plan and type of contacts made, number of meetings held and the attendance at those meetings, contributions and distributions made including but not limited to loans, rollovers, periodic payments, purchase of service and other items requested by the Committee. This report will be presented to the Committee on a monthly basis. A hardcopy of the report should be included in the packets that are mailed to the Committee.

Section 2. Quarterly Bulletins

The Plan Manager and designated Third Party Administrators will prepare quarterly bulletins, which include rates of return for the quarter, year, and five years; plan changes, committee activities, and other articles of interest to Participants. This bulletin will be mailed directly to Plan Participants with the quarterly Participant statements.

Section 3. Financial Reports

The Plan Manager will prepare financial reports and present to the Committee as requested. The reports presented should include at a minimum, the balance sheet, income statement, activity by investment fund and a budget report that reflects the current financial condition.

Section 4. Semi-Annual Investment Performance Reports

The Investment Consultant, Fund Sponsor or Bundled Provider will provide the Committee with a semi-annual investment performance report from each vendor. This report may include the following:

- (a) Rate/interest profile of various funds for the calendar year as well as for the last five years.
- (b) Comparison of fund performance to Committee established benchmarks and indices.
- (c) Financial credit ratings of the Third Party Administrator.
- (d) Recommendations for investment modifications.
- (e) Analysis of any investment advisory services provided to Participants under the Plan.

Section 5. Fiscal Year-end Financial Statements

The Committee will request a presentation of the fiscal year-end financial statements once the Legislative Audit Committee releases the report.

Section 6. Statutory Reports

Any report as required by state law including but not limited to C.R.S. 24-54.8-101 et. Seq.

ARTICLE XI
PLAN MARKETING, COMMUNICATION AND CUSTOMER SERVICE

Section 1. Program Orientation

The Committee considers the Plan a key element of compensation and benefits program and its objective to attract and retain quality employees. The 457 Plan serves to provide mechanisms and programs for meeting an employee's supplemental tax deferred savings need. The 401(a) Match Plan serves to provide mechanisms and programs to matching employer contribution benefits, if available. The State DC Plan serves to provide an optional defined contribution retirement plan to the defined benefit retirement plan. The Committee's intent is to communicate the availability of the program to all eligible employees; whether it is purely voluntary as in the case of the 457 Plan or mandatory after an irrevocable election as in the case of the State DC Plan.

Section 2. Communication Objectives

- (a) To enable every eligible employee to make a thoughtful, informed participation decision with regard to participation in any one or combination of the available voluntary tax deferred savings plans made available by the State, including the 457 Plan, the PERA Section 401(k) Plan and any available Section 403(b) Tax Sheltered Annuity program.
- (b) To enable every State of Colorado employee to make a thoughtful, informed participation decision with regard to participation in any one of the available retirement plans offered by the State of Colorado, including this State DC Plan, PERA DC Plan, and PERA DB Plan.
- (c) To provide objective, comprehensive and accurate information.
- (d) To communicate the 457 Plan's key characteristics:
 - Voluntary retirement supplement
 - Employer matching contributions (when available)
 - Tax deferred savings vehicle
 - Convenient payroll deductions
 - Broad, competitive cost no-load investment choices
 - Simple, timely, user-friendly transactions
 - Catch-up deferral provisions
 - No federal income tax early withdrawal penalty
 - Purchase PERA Defined Benefit Pension Plan Service Credits
 - Availability of Plan Loans
 - Availability of Hardship distributions
 - Ability to process Qualified Domestic Relation Orders.
- (e) To communicate the State DC Plan's key characteristics:
 - Full and immediate vesting
 - Irrevocable election
 - No disability benefit
 - Risk of investment gain or loss
 - Broad selection of investments and investment providers
 - Portable benefit

- No loans, hardships or early distributions
 - Provide a vehicle for short-term and long-term retirement savings
 - Alternative to PERA DB and social security, except staff of a District Attorney.
- (f) To increase Plan participation and 457 contribution levels.
- (g) To raise employee and Participant perceptions of the Plans.
- (h) To comply with applicable notification and documentation requirements.
- (i) To increase Participant's understanding of Plan provisions and policies.
- (j) To solicit and be driven by employee and Participant feedback.
- (k) To work cooperatively with other State of Colorado agencies and local governments, supporting a coordinated "tax deferred savings" and "retirement income" message.
- (l) To provide investment education, planning and advice resources for Participants.
- (m) To provide focused (rather than broad) information that effectively communicates to target audiences, which include
- New employees
 - Non-Participants
 - New Participants
 - Ongoing Participants
 - Participants requesting hardship withdrawals
 - Participants requesting loans
 - QDROs
 - Terminating Participants
 - Suspended Participants
 - Participants near retirement
 - Beneficiaries
- (n) To coordinate and integrate communication and marketing activities for the 457 Plan with Department of Personnel and Administration policies as appropriate and practicable. To coordinate and integrate communication activities for the State DC Plan with Department of Personnel and Administration policies and PERA, as appropriate and practicable.

Section 3. Communications Materials

Communication materials will convey the basic features of the Plans. The Committee believes that the communications should emphasize the tax deferred savings and investment features of the 457 Plan, its role as a tax-deferred savings vehicle, and its unique role in supplementing retirement income. The Committee further believes that the communications should emphasize the vesting, portability, self-directed investment features of the State DC Plan as an alternative retirement plan to the traditional defined benefit plan or the similar defined contribution option offered under PERA. The Committee will require full disclosure of fees associated with the plan through the marketing presentations and materials. The Committee and staff will review the various communication

materials including plan brochures, plan document, enrollment forms and investment descriptions to ensure their continued accuracy and effectiveness on an annual basis.

Section 4. Customer Service

The Committee strives to provide strong, accurate and friendly customer service to its Plan Participants.

Section 5. Participant Surveys

The Committee believes that the Plan should be designed around the interests of its Participants. Every two years, the 457 Plan Third Party Administrator and State DC Bundled Providers shall conduct a satisfaction survey of its Participants to determine:

- (a) Satisfaction with plan direction and management;
- (b) Satisfaction with investment options;
- (c) Evaluation of Committee, Plan Manager, Third Party Administrator and investment providers;
- (d) Recommendations for plan improvements.

Section 6. Non-Participant Surveys

Third party administrators may conduct a random sample of non-participating employees to identify reasons for non-participation in the Plans, and methods for educating new employees about the Plans.

Section 7. 457 Plan Marketing Goals

- (a) Short Term Goals
 - To review participation statistics prepared by any third party service provider to direct the Plan marketing efforts in terms of locations and types of employees.
 - To require the Third Party Administrator or Bundled Provider to establish work goals based on the information provided by the Committee and to report to the Committee progress toward those goals on a quarterly basis.
- (b) Long Term Goals
 - To ensure that all eligible employees who are not Plan Participants know about the Plan and have made an informed participation decision.

The Committee will measure knowledge about the Plan through the periodic survey results.

ARTICLE XII

ACCOUNTING AND AUDITING

Section 1. Internal Controls

The Plan Manager shall establish and maintain all necessary internal controls for the protection of Participant funds in accordance with State statutes including but not limited to C.R.S. 24-54.8-101 et. Seq. and Financial Responsibility and Accountability Act, C.R.S. 24-17-101 et. Seq. and generally accepted accounting principles.

Section 2. Contract Compliance

The Plan Manager shall monitor contract compliance in accordance with the terms of each contract.

Section 3. Performance Audit

The Committee may provide for a review of third-party investment and service providers' internal, external and regulatory audit reports. These reviews may be conducted on an annual basis or at other times as may be deemed appropriate by the Committee. These reviews will identify financial, internal control, and compliance issues to be addressed during on-site audits of the investment and service providers and provide assurance of their financial stability on an annual basis. The Committee may authorize the conduct of on-site financial and compliance audits to provide assurance to the State that Plan and Participant assets are properly accounted for and investment and service providers are in compliance with contractual provisions.

Section 4. Annual Plans' Audit

The Committee shall cooperate with financial audits conducted by the Office of the State Auditor. Once final, the annual audit shall be posted on the Plan website and noticed to Participants in the next available quarterly bulletin.

ARTICLE XIII

PLAN FEES

Section 1. Plan Fees

The Committee will make it a contract requirement that the Third Party Administrator or Bundled Provider shall make full and transparent disclosure of all fees associated with participating in the Plans including fees deducted from Participant accounts, all investment management fees and any 12(b)-1 fees, special fees for loans and self-directed brokerage fees.

(a) 457 Plan and 401(a) Match Plan

- (1) C.R.S. 24-52-102 provides that the Committee may assess each participating employee a fee for administering the fund which shall be automatically deducted and which shall not exceed one percent of the employee's assets.
- (2) The Plan document also provides the Committee the authority to assess administrative fees.
- (3) The Plan should pursue obtaining 12(b)-1 fees from any investment options that provide them, if directly contracting with investment providers or administrative expense credits from the record keeper, Third Party Administrator as provided for in the contract.
- (4) As part of the Committee's legislative directive to provide a plan for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in administering the Plan, the Committee will make an annual formal review of asset fee revenues to determine if an adjustment is needed.

(b) State DC Plan

- (1) C.R.S. 24-52-203 (9)(a) provides that the Department of Personnel and Administration may assess each Bundled Provider an equal fee for the actual and reasonable costs of administering the Plan.

Section 2. Annual Fee Analysis

The Plan Manager in cooperation with the current Third Party Administrator will prepare and present an annual report to the Committee which details the fee history (where applicable), make three year projections of future plan growth, and provides alternative fee assessments to determine whether an adjustment is needed. This report should be combined with the budget report to insure the fees are appropriately supporting the Plan.

The Committee will review the income, expenses and balance in the Deferred Compensation Administration fund under C.R.S. 24-52-102(5)(a) and the Defined Contribution Plan Administration Fund under C.R.S. 24-52-203(9)(b). Based upon such report, the Committee shall determine the appropriate level of reserve to maintain in each Plan administration fund. In connection with establishing the

fund reserve, the Committee will consider past and projected expenses for Plan administration, and determine the level of fees charged to Plan Participants to maintain a reserve approximately equal to the prior year's administrative expenses, while ensuring that Plan Participants are only assessed the reasonable and appropriate amount to administer the Plan.

ARTICLE XIV
EXCESS DEFERRALS AND CONTRIBUTIONS

Section 1. Annual Addition and Deferral Limit Monitoring

- (a) Plan Manager shall monitor the Plans for compliance with all applicable federal tax laws, state statutes and plan documents.
- (b) Any excess deferral to the Section 457 Deferred Compensation Plan will be distributed to the Participant, with allocable net income, as soon as administratively practicable after the Committee determines that the amount is an excess deferral in accordance with applicable IRS regulations. Necessary refunds will be calculated at the end of the calendar year in order to provide accurate annual tax information to the Participant. Coordination must be made with Central Payroll and the appropriate agency payroll office.
- (c) Any excess contribution to the State DC or Section 401(a) Defined Contribution Match Plan in excess of that permitted under IRC Section 415(c) shall be treated in a manner permitted by IRS Regulation Section 1.415-(6)(b)(6).